



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

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IN REPLY PLEASE REFER TO:

May 10, 2004

Supervisor Tom Wilson, Chairman
Supervisor Jim Silva, Vice Chairman
Orange County Board of Supervisors
10 Civic Center Plaza, Fifth Floor
Santa Ana, CA 92701

RECEIVED
INTERNAL AUDIT DEPARTMENT
2004 MAY 11 AM 10:13

Re: Audit Oversight Committee

Dear Supervisors Wilson and Silva:

The Treasury Oversight Committee (TOC) is interested in outsourcing its annual SB 866 audit to an independent Certified Public Accounting (CPA) firm. Please place this matter on the agenda for the Audit Oversight Committee's (AOC) June meeting.

A few years ago, the TOC issued Requests for Proposals (RFPs) to numerous CPA firms for this service. This was in response to Fitch Ratings wishing to discontinue their quarterly compliance of our portfolios due to the Enron crisis and the ensuing concerns regarding performing auditing functions exclusively for clients.

Near the end of the RFP response submittal period, the AOC was emphatic that Internal Audit perform the SB 866 audit, even to the point of underwriting the costs. Accordingly, the TOC accepted the services of the Internal Audit Department for the quarterly compliance reviews and the annual SB 866 audit for free.

Moving forward a couple of years, and in a more difficult budget climate, the CEO has notified us that we are to now pay for these services. At Internal Audit's hourly rate and the hours that they have allocated to these tasks, it is my opinion that it can be outsourced at a more reasonable cost to the county.

Utilizing a CPA firm should be a win-win for the county. It lowers costs to my department and allows Internal Audit to either reallocate the staff hours to other pressing needs or even to potentially eliminate one-half of one position.

Supervisor Tom Wilson
Supervisor Jim Silva
May 10, 2004
Page 2

The TOC is mandated to pursue the SB 866 audit. However, the TOC is also sensitive to the AOC, as two members of the TOC also sit on the AOC.

In order to avoid the embarrassment and wasted staff time and resources that we encountered with our last RFP effort, the TOC would like to know the pleasure of the AOC. It is my recommendation that an RFP be pursued, with Internal Audit responding, in order to determine a fair market price for these services.

If it is desired by the AOC that Internal Audit continue performing these services, I would like the AOC to assist in proposals to minimize the current projected costs. I believe that 800 hours at a rate in excess of \$100 per hour is not competitive.

Thank you for your time and assistance on this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "John Moorlach", written in a cursive style.

John M. W. Moorlach

JMWM:jmwm

Cc: Hon. David Sundstrom, Auditor-Controller
James Ruth, County Executive Officer
Peter Hughes, Internal Audit